

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, JULY 11, 2013
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, July 11, 2013, at 9:05 a.m.

Chairman Ralph Mesick called the meeting to order at 9:05 a.m.

CALL TO
ORDER/
ROLL CALL

Present: Director Ralph Mesick, Chairman
Director Paul Kyno, Vice Chairman
Director Leilani Pulmano, Secretary
Director Allan Los Banos
Designee Mary Alice Evans for Director Richard Lim
Designee Luis Salaveria for Director Kalbert Young

Executive Director Karen Seddon

Excused: Director Betty Lou Larson, Secretary
Director Kalbert Young
Director Richard Lim
Director Michael Ng

Staff Present: Sandy Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Ann Nakagawa, Fiscal Manager
Stuart Kritzer, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Stan Fujimoto, Development Section Chief
Dean Sakata, Housing Finance Specialist
Brian Davidson, Housing Finance Specialist
Mavis Masaki, Planner
Ken Takahashi, Housing Development Specialist
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Christopher Woodard, Property Management Coordinator
Krystal Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Senator Suzanne Chun Oakland, Hawaii State Senate
Jobie Masagatani, DHHL
Scott Gomes, CBRE
Andrew Reenders, CBRE

A quorum was present.

QUORUM

Designee Evans moved, seconded by Director Los Banos, to approve the Meeting Minutes of June 13, 2013.

II. A.
APPROVAL
OF MINUTES
6/13/13
Regular
Meeting

The motion was unanimously approved.

No action was taken on this item.

No action was taken on this item.

No action was taken on this item.

Designee Evans moved, seconded by Director Los Banos, to approve staff’s recommendation:

That the HHFDC Board of Directors:

- 1. Approve the proposed Amendments to Chapter 15-315, HAR, subject to approval as to form by the HHFDC Deputy Attorney General;
- 2. Subject to Governor approval, authorize the Executive Director or a designated representative(s) to conduct a public hearing on the adoption of the proposed Amendments to Chapter 15-315, HAR;
- 3. Authorize the Executive Director to make any necessary non-substantive amendments to the draft Amendments following the public hearing; and
- 4. After the public hearings, authorize the Executive Director to transmit the proposed Amendments to Chapter 15-315, HAR, to the Governor for final approval provided that no substantive amendments are made.

Planner Mavis Masaki presented the For Action, stating that the follow amendments are being proposed to the Mortgage Credit Certificate (MCC) Program in order to implement new program fees:

- 1. In section 15-315-2, Hawaii Revised Statutes (HAR), the definition of “gross monthly income” is amended to include income from commissions.
- 2. In section 15-315-21, HAR, a typographical error in the section title is corrected, and language is added, clarifying that in order to participate in the MMC program, HHFDC elects not to issue mortgage revenue bonds.
- 3. In section 15-315-24, HAR the following new program fees payable by the mortgage lender to HHFDC are added:
 - a. A participation fee of \$250 per year;
 - b. Application review fee of \$25 per application; and
 - c. Extension fee of \$100 per application, for up to [~~two months~~] 60 calendar days.

Ms. Masaki noted that since the distribution of the board meeting packets, the HHFDC Deputy Attorney General has approved the draft amendments as to form.

Two amendments to the For Action were noted on page 1 (as shown above) and

II. B.
APPROVAL
OF MINUTES
6/13/13
Executive
Session

II. C.
APPROVAL
OF MINUTES
5/9/13
Executive
Session

II. D.
APPROVAL
OF MINUTES
4/11/13
Executive
Session

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve Proposed
Amendments to
Chapter 15-315
“Mortgage Credit
Certificate Program,”
Hawaii
Administrative Rules

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

on the fifth page of Exhibit B to further clarify extension fees for up to 60 calendar days instead of “two months,” as originally stated.

In response to the Board, the Finance Branch noted the following:

1. In comparison to the conventional market, the proposed program fees are based on the average for MCC programs nationwide.
2. Amendments to section 15-315-21, with regard to the inclusion of revenue bonds, are for clarity and do not preclude the corporation from issuing revenue bonds, as the trade of such bonds are needed in order to obtain MCC capacity.
3. Significant demand is anticipated for the MCC program regardless of current mortgage interest rates because MCCs provide the benefit of the 20% tax credit as opposed to the mortgage interest deduction alone.
4. There are currently 25 participating lenders.

With no further discussion, the motion was unanimously approved.

Designee Evans moved, seconded by Director Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the request by the DHHL to amend the repayment schedule for the \$33 million debt under the Transfer Agreement (TA), substantially as discussed in this For Action; and
- B. Authorize the Executive Director to execute an amendment to the TA to effectuate the purpose of this For Action. Subject to the following:
 1. Approval of the Governor; and
 2. Other terms and conditions as may be required by the Executive Director.

Development Branch Chief Rick Prahler presented the For Action, stating that in June 2004, the Board of the Housing and Community Development Corporation of Hawaii (HCDCH), predecessor agency to the HHFDC Board, directed staff to negotiate a Transfer Agreement (TA) with the Department of Hawaiian Home Lands (DHHL) for the conveyance for the following properties (Property):

1. Village 8 of the Villages of Kapolei, Oahu
2. Villages of La'i'opua, Hawaii
3. Villages of Leali'i, Phases 1A and 1B, Maui
4. Waiahole Agricultural Park and Residential Lots Subdivision (Waiahole), Oahu

Under the terms of the TA, the Property was to be conveyed by a quitclaim deed for \$33 million, to be paid over a 15-year period with annual payments of \$2.2 million.

An amendment dated May 2, 2006, removed the Waiahole property from the TA, along with other unsubstantial changes.

To date, the DHHL has made 9 annual installment payments of \$2.2 million totaling \$19.8 million of the \$33 million owed, leaving a remaining balance of \$13.2 million.

III. B. DISCUSSION AND/OR DECISION MAKING

Approve a Request by the Department of Hawaiian Home Lands to Amend the Repayment Schedule For the \$33 Million Debt under the Transfer Agreement between Department of Home Lands and Housing and Community Development Corporation of Hawaii dated December 30, 2004

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The request of the DHHL is for the reduction of the \$2.2 million annual payment to \$1.7 million, with the final payment being made in 2021; rather than 2019. A new payment schedule was attached as the second page of Exhibit B.

In response to the Board, staff noted the following:

1. The reduction in payment does not impact the cash flow of the HHFDC Dwelling Unit Revolving Fund (DURF) for future development.
2. With the exclusion of the Waiahole property from the TA, an adjusted additional payment of \$3 million to the HHFDC has been discussed with various DHHL department heads; however, there has been no consensus to date.

DHHL Chair Jobie Masagatani arrived, thanking the HHFDC Executive Director and staff for bringing this matter before the Board, expressing the importance for the payment reduction in terms of DHHL cash flow to bring their fixed costs down to build up cash reserves and stretch out its ability to complete housing lot development on the Home Lands for a few more years.

Designee Evans asked if there was a legal challenge in regard to legislative appropriation and satisfaction of the Nelson Act. Ms. Masagatani responded that there was and that the court determined four purposes - lot development loans, rehabilitation programs, and operations and administration - of which three were determined as political; with the fourth, operations and administration, still pending litigation within the Circuit Court. Of the four purposes, DHHL looks to using the \$500,000 payment reduction to use towards lot development.

In response to Director Pulmano, Ms. Masagatani stated that the DHHL is finishing up its Kanehili project, with another 1,000 plus units anticipated for East Kapolei; bids for the La'i'opua Village 4, were issued. In addition, there are discussions of possibly doing a family rental with the option to purchase and/or other affordability opportunities.

Designee Evans asked if the Office of Hawaiian Affairs (OHA) waived its twenty percent take as part of the transfer. Ms. Masagatani responded that while OHA has not waived its twenty percent regarding its inventory within the Villages, it has not been an issue.

Ms. Masagatani added that the DHHL did one increment for the Villages of Leiali'i, with the second increment pending County waterline transmission issues with its water source in Honokawai.

Designee Salaveria asked where the DHHL stand in terms of potentially moving the Waiahole property to DHHL as it was originally planned in 2004. Ms. Masagatani responded that the Waiahole property has not been on the radar of the DHHL, but is open to reviewing the matter with its planning office.

In response to Designee Evans, Ms. Masagatani stated that the DHHL is looking to work with non-competitive products like the 4% Low Income Housing Tax Credits and bond financing, with the possibility of working with the rent with option to purchase for families and/or an elderly project with HUD 202 funding.

With no further discussion, the motion was unanimously approved.

Chair Mesick proceeded to item C.

III. C. DISCUSSION AND/OR DECISION MAKING

Possible action
relating to
compensation of the
Executive Director

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Designee Evans moved, seconded by Vice Chair Kyno, to convening in Executive Session at 9:43 a.m., pursuant to Section 92-5(a)(2) and/or Section 92-5(a)(4), as it relates to the compensation of the Executive Director.

**EXECUTIVE
SESSION**
9:43 a.m.

The motion was unanimously approved.

The Board reconvened back in Regular Session at 9:59 a.m.

RECONVENED
9:59 a.m.

Designee Evans moved, seconded by Director Kyno, to adjust the salary of the executive director to the maximum allowed based on the salary adjustment determined by the 2013 Commission on Salaries, retroactive to July 1, 2013.

Pursuant to section 201H-2(b), Hawaii Revised Statutes, the executive director shall be paid a salary not to exceed eighty-five percent of the salary of the director of human resources development.

The motion was unanimously approved.

With no further discussion, Chair Mesick proceeded to the Report of the Executive Director.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

In response to Director Pulmano, Executive Director Seddon noted the following:

1. The asbestos abatement has been completed for the Kamaaina Hale project.
2. Scoring for the 2013 Qualified Allocation Plan (QAP) is in process, with about the same number of applicants applying for funding.

With no further discussion, Chair Mesick proceeded, asking for a motion to convene in Executive Session.

**V.
EXECUTIVE
SESSION**
10:05 a.m.

Designee Evans moved, seconded by Director Los Banos, to convene in Executive Session at 10:05 a.m., pursuant to Section 92-5(a)(2) and/or Section 92-5(a)(4) to discuss personnel matters related to the hiring of the new executive director.

The Board reconvened in to Regular Session at 10:17 a.m.

RECONVENED
10:17 a.m.

With no further discussion, Chair Mesick called for a motion to adjourn.

Designee Salaveria moved, seconded by Director Pulmano, to adjourn the meeting at 10:17 a.m.

**VI.
ADJOURNMENT**

The motion was unanimously approved.



LEILANI PULMANO
Secretary